

Message Text

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ACTION COME-00

INFO OCT-01 AF-10 ISO-00 IO-14 EB-11 AID-20 TRSE-00

CIAE-00 INR-10 NSAE-00 RSC-01 AGR-20 DRC-01 /088 W

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R 100830Z JAN 74

FM AMEMBASSY BLANTYRE

TO SECSTATE WASHDC 6745

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E. O. 11652: N/A

TAGS: BEXP, MI

SUBJ: VIPYA PULPWOOD PROJECT

REF: STATE 251662

1. AMBASSADOR DISCUSSED VIPYA PROJECT WITH JOHN TEMBO, GOVERNOR OF RESERVE BANK, JAN 9. TEMBO HAD JUST RECEIVED SUPPLEMENTARY REPORT FROM FINNISH CONSULTANTS, JAAKKO POYRY, AND LETTER FROM CHASE MANHATTAN BANK.

2. ACCORDING TO TEMBO, CONSULTANTS STATE IT POSSIBLE PLAN ON STARTING PROJECT IN 1977 WITH 120,000 TON CAPACITY MILL. MILL COULD BE ENLARGED IN 1978 TO 150,000 TONS AND IN 1979 TO 180,000 TONS. LATTER IS OPTIMUM SIZE. TO MEET 1977 TARGET, MACHINERY MUST BE ORDERED BY JUNE 1974. LEAD TIME OF 24 TO 36 MONTHS REQUIRED. CRITICAL ITEM IS RECOVERY BOILER. ADDITIONAL FORESTATION MUST ALSO BE RESUMED IMMEDIATELY.

3. CHASE MANHATTAN HAS TENTATIVELY OFFERED TRY TO FORM CONSORTIUM. TEMBO SAID MALAWI NEEDED TECHNICAL PARTNER EXPERIENCED IN PAPER FIELD WHICH WILLING PUT UP SOME EQUITY AS WELL AS COMMERCIAL SOURCE OF FUNDS. HE WOULD BE DELIGHTED TO SEE CHASE AND ST. REGIS INVOLVED.

4. GOVERNMENT HAS DECIDED TO SUSPEND ALL OTHER PLANTING IN MALAWI AND CONCENTRATE ON VIPYA. IT EXPECTS PLANT ADDITIONAL

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1300 ACRES THIS RAINY SEASON AND 12,000 ACRES NEXT RAINY

SEASON. TO ACCOMPLISH SUBSTANTIAL NUMBER TRACTORS AND OTHER FARM MACHINERY NEEDED, TEMBO UNDERTOOK PROVIDE LIST REQUIREMENTS ASAP. PREVIOUSLY MACHINERY OBTAINED FROM U.K. UNDER ODA LOAN BUT NOW LENGTHY DELIVERY TIMES MAKE THIS SOURCE IMPRACTICAL. AMBASSADOR POINTED TO FACILITATIVE ASSISTANCE FOR U.S. EXPORTS AVAILABLE FROM EXIM BANK AND CURRENT COMPETITIVENESS OF U.S. EQUIPMENT IN TERMS OF PRICE AND DELIVERY TIMES.

5. DURING DECEMBER VISIT TO TAIWAN, TEMBO HAD EXTENSIVE DISCUSSIONS WITH PULP MILL OPERATORS. APPARENTLY TAIWANESE CLAIMED THEY COULD CARRY OUT PROJECT AT CONSIDERABLY LESS COST THAN CONSULTANT'S ESTIMATE AND COULD SERVE AS TECHNICAL PARTNER WITH MALAWI FIRM. HOWEVER TAIWANESE APPARENTLY DID NOT OFFER FINANCING.

6. COMMENT: IN VIEW OF CHASE MANHATTAN OFFER, WE AGREE WITH REFTEL BEST CURRENT COURSE IS TO LET U.S. BANKS CARRY BALL. ARE THERE REASONABLE PROSPECTS IBRD PREPARED PROVIDE PORTION OF CAPITAL REQUIRED?
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BLANTY00036
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BLANTYRE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740152/aaaabwon.tel
Line Count: 82
Locator: TEXT ON-LINE
Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 251662
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 03 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 SEP 2002 by WorrelSW>; APPROVED <03-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VIPYA PULPWOOD PROJECT
TAGS: BEXP, MI
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005